

FINANCIAL SERVICES COMMISSION

**FLORIDA OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

MARKET CONDUCT FINAL EXAMINATION REPORT

OF

AMERIPLAN CORPORATION

AS OF

FEBRUARY 10, 2006



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PURPOSE AND SCOPE OF EXAMINATION

Under authorization of the Financial Services Commission, Florida Office of Insurance Regulation (Office), Market Investigations, pursuant to Section 636.206, Florida Statutes, a market conduct examination of AmeriPlan Corporation. ("Company" or "AmeriPlan") was performed. The scope of this examination was April 1, 2005 through October 24, 2005. The onsite examination began February 6, 2006 and ended February 10, 2006.

The purpose of this examination was to review the Company's compliance with Chapter 636, Part II, Florida Statutes as effective on April 1, 2005. Chapter 636, Part II, Florida Statutes regulates discount medical plan organizations, entities which, in exchange for fees, dues, charges, or other consideration, provide access for plan members to providers of medical services and the right to receive medical services from those providers at a discount.

The Company's records were examined at its offices located at 5700 Democracy Drive, Plano, Texas 75024.

This Final Report is based upon information from the examiner's draft report, additional research conducted by the Office, and additional information and comments provided by the Company in response to the draft report. Procedures and conduct of the examination were in accordance with the Market Conduct Examiner's Handbook produced by the National Association of Insurance Commissioners.

DESCRIPTION OF COMPANY

This domestic Company was licensed as a Discount Medical Plan Organization (DMPO) in Florida, on March 24, 2005. Its plan, "AmeriPlan," offers dental, vision, prescription and chiropractic medical discounts. In January 2006, the Office approved forms for the Company to also offer physician and hearing medical discount plans.

PROVIDER NETWORK REVIEW

The Company has established and maintains two internal provider networks, Dental Plans of America, (DPoA), for dental services and Chiropractic Plans of America, (CPoA), for chiropractic services. In addition, the Company contracts with two external networks: Coast to Coast (CTC), a subsidiary of Newbn, for vision care and Medco Health Solutions, Inc. for pharmacy services. Pharmacy and prescription discounts are exempt from Chapter 636, Part II.

The provider network agreement between CTC and the Company was reviewed for compliance with Section 636.214(3)(a) Florida Statutes. This network agreement failed to require the network's contract with its providers contain a description of the services and products to be

offered, and the amount of the discount or a fee schedule. The network agreement also failed to contain a stipulation that the provider would charge no more than the discounted rate.

Corrective Action: The Company's written agreement with CTC should require the network's contract with its providers contain a description of the services and products to be offered and the amount of the discount or a fee schedule. In addition, the network agreement should contain a stipulation that the provider would charge no more than the discounted rate.

The Company's agreement with CTC also does not require CTC to provide an up-to-date provider list each month, as required by Section 636.214(3)(c), Florida Statutes, however, AmeriPlan provided emails from Newbn confirming monthly uploads of CTC providers were delivered to AmeriPlan for posting on its website.

Corrective Action: The Company's written agreement with CTC should require monthly provider list updates.

Providers participating in the networks can be located at <http://providersearch.ameriplanusa.com>, a searchable, online provider directory. The Company has procedures in place that call for the provider directory to be updated daily for the two internal networks and monthly for the external network. The procedures are to ensure that the provider list is kept up-to-date as required by Section 636.226, Florida Statutes.

PROVIDER AGREEMENT REVIEW

Dental Plans of America has 3,075 providers and Chiropractic Plans of America has 958 providers. A sample of 20 provider agreements, (10 from DPoA and 10 from CPoA) was reviewed for compliance with Section 636.214, Florida Statutes. No errors were noted.

MEMBERSHIP REVIEW

As of October 24, 2005, the Company had 38,954 active members in Florida, of which 10,507, or 27%, had enrollment effective dates on or after April 1, 2005.

A random sample of 50 active membership files with enrollment effective dates on or after April 1, 2005 was reviewed. The membership files included call logs, subscriber history and payment history. Of the 50 files reviewed, 33 members were enrolled using membership applications that had not been filed with and approved by the Office as required by Section 636.216(3), Florida Statutes. The Company accepted 5 different application forms that had not been filed with and approved by the Office, including one in Spanish.

Corrective Action: The Company should discontinue accepting enrollment forms not filed with and approved by the Office.

Enrollment and Fulfillment Procedure

All customers enroll with a marketer, either over the internet on a marketer's website, or on a paper application. AmeriPlan processes all enrollments and is responsible for fulfillment materials, billing and customer service.

Memberships prior to April 1, 2005

Members enrolled prior to April 1, 2005 were not provided enrollment forms, written agreements and fulfillment materials that were filed with and approved by the Office.

Corrective Action: The Company should provide members enrolled prior to April 1, 2005 approved enrollment forms, written agreements and fulfillment materials upon renewal.

FORMS/CHARGES REVIEW

The Office approved an English language version of a membership application and membership agreement information guide on March 28, 2005. The member agreement, which consists of the membership application and the membership agreement information guide, being used by the Company is not the one that had been filed with and approved by the Office as required by 636.216(3), Florida Statutes. The agreement in use failed to state the membership effective date as required by Rule 69O-203.202(1)(d), Florida Administrative Code.

Corrective Action: The Company should ensure that they use only forms that have been filed with and approved by the Office. The Company should ensure that the member agreement includes the required elements.

As noted in the Membership Review section, multiple application forms, including a Spanish version, were used and have not been filed with and approved by the Office as required by Section 636.216(3), Florida Statutes, and Rule 69O-203.204(1)(a), Florida Administrative Code.

Corrective Action: The Company should file all forms with and receive approval by the Office prior to use.

The following additional error was noted:

- The Company modified and made revisions to the approved version of the membership agreement information guide and failed to file these revised forms with the Office for approval.

Corrective Action: The Company should file all revised forms with the Office and receive approval prior to use, as required by Section 636.216(3), Florida Statutes, and Rule 69O-203.204(1)(a), Florida Administrative Code.

CANCELLATION REVIEW

The Company reported 285 membership cancellations within 30 days of the effective date for members who enrolled between April 1, 2005 and October 24, 2005. A random sample of 50 files was reviewed to determine if the Company was refunding all periodic charges as required by Section 636.208(2), Florida Statutes. Of the 50, 23 members were entitled to a refund and all 23 received a full refund as required. Eight of these refunds took more than 60 days after the cancellation date to return to the customer.

A sample of 20 cancellation files of members who enrolled on or after April 1, 2005 and cancelled after 30 days of their effective date was reviewed. This review revealed that all members received the proper refund amount, however, 15 of these refunds were made to the member between 63 days and 197 days after the cancellation date.

Corrective Action: The Company should ensure that refunds are made to eligible members in a timely manner.

Two members received full refunds after internal investigations conducted by the Company revealed that marketers submitted applications on behalf of the consumers using unauthorized bank or credit card information. As a result, the contracts between the Company and the marketers were cancelled.

COMPLAINT/GRIEVANCE REVIEW

The Company identified 4 business areas that handle complaints. The log from each area was reviewed for complaints or inquiries received during the scope period:

- Member Services – none reported.
- Bank and Credit Department - 2 cancellation inquiries.
- Provider Relations - 91 calls: 67 were fee and discount inquiries, 15 were treatment related and 9 were quality of care issues.
- Compliance Department (Legal) - 8 complaints: 7 dealt with refund issues and, in all cases, the member was refunded as a result of the complaint; 1 complaint was related to provider charges and the Company determined the provider had charged the correct discounted fee.

Policies and procedures are in place in each area to facilitate the resolution of member grievances and complaints as required by Section 636.205(1)(d), Florida Statutes.

MARKETER REVIEW

The Company contracts with marketers called independent business owners (IBOs) to market and sell its discount medical plans. As of October 24, 2005, the Company had 16,527 IBOs nationally. IBOs earn commission from their own sales, but also earn commission from the sales of IBOs that they have enlisted to sell the plan. This type of marketing is called multi-layer marketing ("MLM"). A sample of 10 IBO contracts was selected for review to determine compliance with Section 636.228, Florida Statutes. No errors were noted.

WEBSITE REVIEW

As a condition for licensure, a discount medical plan is to establish an Internet website page on which it is to maintain an up-to-date list of the names and addresses of its providers in order to comply with Section 636.226, Florida Statutes. Prior to the onsite examination, a review was conducted of the website, www.ameriplanusa.com. The main page contains all of the disclosures required by Section 636.212, Florida Statutes, as well as a "Locate a Provider" link to access the plan providers. No errors were found.

The Company hosts 13 different websites for use by its IBOs to solicit new members and new IBOs. In addition, IBOs can market AmeriPlan on websites not controlled or hosted by AmeriPlan. The Company provides IBO's with an Internet Policy Handbook, which outlines the requirements for the websites marketing, promoting or advertising AmeriPlan or using the AmeriPlan trademarks. The Company reviews IBO websites annually and performs daily searches on the Internet for use of its name and trademarks.

The Company provided a list of 273 known IBO websites. A sample of 10 IBO websites was selected for review. Each website reviewed contained the proper disclosures as required by Section 636.212, Florida Statutes. However, disclosures were not in the required 12-point type on 7 of the websites.

Corrective Action: The Company should ensure that all disclosures are printed in not less than 12-point type.

ADVERTISING REVIEW

The Company provided a brochure, a DVD and 5 paper handouts for review. All materials reviewed contained the proper disclosures as required by Section 636.212, Florida Statutes.

EXAMINATION FINAL REPORT

The Office hereby issues this report as the Final Report, based upon information from the examiner's draft report, additional research conducted by the Office, and additional information and comments provided by the Company in response to the draft report.